GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1832
ANSWERED ON:25.11.2016
PPP Contracts in the Infrastructure Sector
Joshi Shri Pralhad Venkatesh

Will the Minister of FINANCE be pleased to state:

(a) the details of the steps taken by the Government in order to facilitate renegotiation of public-private partnership contracts in the infrastructure sector;

(b) whether the Government has taken adequate steps to run proper investment in infrastructure sector; and

(c) if so, the details thereof and the steps taken in this regard?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE
(SHRI ARJUN RAM MEGHWAL)

(a) PPP concessions are usually long term arrangements spanning over decades and contracting parties are required to manage the uncertainties and complexities that arise over the long-term concession periods. The Committee on Revisiting and Revitalizing the PPP Model of Infrastructure chaired by Dr. V.Kelkar, in its Report submitted in November 2015, noted that PPP projects are faced with risks that were not foreseen/contemplated at the time of signing the concession agreement. Keeping in view the fact that renegotiation for amendment of the terms of a concession agreement could lead to litigation, reallocation of the risks of the parties involved and allegation of lack of transparency, the Kelkar Committee emphasized on having an ex-ante provisioning for triggers in the bid documents itself. A draft guidance framework for building in ex-ante trigger in concession agreements of National Highway project and Major Port projects have been prepared and shared with the Ministry of Road Transport and Ministry of Shipping to consider.

(b)&(c) Government has taken various steps to attract investment in infrastructure sector which includes launching of innovative financial vehicles such as Infrastructure Debt Funds (IDFs), Real Estate Investment Trusts (REITs)/Infrastructure Investment Trust (InVITs), National Infrastructure Investment Fund (NIIF), laying down a framework for municipal bonds, issuance of Tax Free Bonds, allowing complete pass through of income tax to securitization trusts including trusts of Asset Reconstruction Companies (ARCs), bringing in 5/25 Scheme to extend long tenor loans to infrastructure projects, take-out finance, flexible structuring and refinancing of project loans, higher credit exposure limits for single and group borrowers, and single NBFC/NBFC-Asset Financing Company and Infrastructure Financing Company, amendment in investment norms of insurance companies, Employees' Provident Funds, etc. Further, Government has set up the Project Monitoring Group (PMG) in the Cabinet Secretariat with a view to putting in place an institutional mechanism to track stalled projects, both in the public and private sectors involving investment of Rs. 1000 crore or more, or any other critical projects in sectors such as infrastructure, manufacturing, etc.